

Message Text

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SUBJ: INSURANCE LEGISLATION

REF: CARACAS 3533 AND 3953

SUMMARY

ON 22 MAY 1975, BY EXECUTIVE DECREE, VENEZUELA'S INSURANCE LAW WAS PROMULGATED. ITS BASIC ELEMENTS, AS THEY AFFECT FOREIGN INSURANCE COMPANIES, HAVE BEEN REPORTED IN REFTELS. FOREIGN INDIVIDUALS AND COMPANIES HAVE TWO YEARS IN WHICH TO REDUCE HOLDINGS TO 20 PERCENT IN THE INSURANCE AND INSURANCE BROKERAGE BUSINESSES. SHORTER TIME LIMITS FOR PLACING VENEZUELAN CITIZENS ON BOARDS OF TRUSTEES AND AMONG EXECUTIVE PERSONNEL ARE SET FORTH. TEXT OF LAW IS BEING POUCHED. END SUMMARY.

1. INSURANCE COMPANIES HAVE TWO YEARS IN WHICH TO BECOME 80 PERCENT VENEZUELAN OWNED. THE ADMINISTRATIVE BOARDS OF INSURANCE COMPANIES MUST BE COMPOSED OF MAJORITY OF VENEZUELAN CITIZENS WITHIN 90 DAYS. BOARDS MUST HAVE AT LEAST 5 MEMBERS. INSURANCE COMPANIES HAVE 180 DAYS IN WHICH TO NAME A RESIDENT VENEZUELAN PRESIDENT IF A CITIZEN DOES NOT ALREADY HOLD THE POSITION. 75 PERCENT OF THE PERSONNEL OF "EXECUTIVE RANK" MUST BE VENEZUELAN CITIZENS WITHIN 180 DAYS. MINIMUM PAID IN CAPITAL STOCK FOR VARIOUS INSURANCE ACTIVITIES ARE ESTABLISHED

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AND MUST BE COMPLIED WITH WITHIN TWO YEARS.

2. INSURANCE BROKERAGE COMPANIES HAVE 180 DAYS IN WHICH TO INCORPORATE, PAY IN 50 PERCENT OF THEIR CAPITAL, WHICH MAY NOT BE LESS THAN BS. 50,000, AND MEET THE SAME PERSONNEL NATIONALITY REQUIREMENTS AS INSURANCE COMPANIES. BROKERAGE COMPANIES HAVE TWO YEARS IN WHICH TO REDUCE THEIR FOREIGN OWNERSHIP TO 20 PERCENT. THE MANAGEMENT AND MEMBERS OF THE BOARDS OF INSURANCE BROKERAGE COMPANIES MUST HAVE A MINIMUM OF THREE YEARS EXPERIENCE AS INSURANCE BROKERS OR AGENTS.

3. FOREIGN LIFE INSURANCE COMPANIES HAVE TWO YEARS IN WHICH TO DISPOSE OF THEIR LIFE INSURANCE PORTFOLIOS. THEY WILL NOT REPEAT NOT BE PERMITTED TO RETAIN SUCH POLICIES TO MATURITY AS HAD BEEN PREVIOUSLY SUPPOSED. (THIS ASPECT OF THE LAW WILL HAVE ITS GREATEST IMPACT ON PAN AMERICAN LIFE INSURANCE COMPANY WHICH HAS HAD A LARGE AND LUCRATIVE LIFE INSURANCE MARKET IN VENEZUELA).

4. 40 PERCENT OF VENEZUELAN CONTRACTED RE-INSURANCE MUST BE SEATED IN THE NATIONAL MARKET. HOWEVER, PROVISIONS ALLOW MORE THAN 60 PERCENT TO BE PLACED ABROAD. IF THE SUPER-INTENDENCY OF INSURANCE IS SATISFIED THAT IT IS NOT POSSIBLE TO SEAT THE REINSURANCE LOCALLY. NATIONAL RE-INSURANCE COMPANIES SHALL HAVE FIRST REFUSAL ON ALL FACULTATIVES RE-INSURANCE.

5. COMMENT MEMBERS OF THE FOREIGN INSURANCE FRATERNITY WERE NOT SUPRISED BY THE CONTENT OF THE NEW LAW. MANY IF NOT ALL OF ITS PROVISIONS HAD CIRCULATED IN PROFESSIONAL CIRCLES FOR A NUMBER OF MONTHS. EARLIER FEARS THAT LESS, TIME WOULD BE ALLOWED FOR DIVESTMENT PROVED GROUND-LESS, TO THE RELIEF OF THE INDUSTRY. THERE IS CONCERN AT PRESENT, HOWEVER, OVER THE POSSIBILITY THAT THE PROPOSED INCOME TAX LEGISLATION MAY MAKE RE-INSURANCE OPERATIONS PROHIBITIVELY EXPENSIVE BY ESTABLISHING A 20 PERCENT ASSESSMENT ON THIS ACTIVITY.

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